MAXIS SDN BHD

v.

SURUHANJAYA SYARIKAT MALAYSIA & ORS

HIGH COURT MALAYA, KUALA LUMPUR
JAMES FOONG J
[SUIT NO: S6-22-728-2002]
3 SEPTEMBER 2003

CIVIL PROCEDURE: *Injunction - Interim injunction - Whether claim frivolous or vexatious - Whether there was a serious question to be tried - Whether damages an adequate remedy - Balance of convenience - Whether status quo to be maintained*

The plaintiff instituted this action for a declaration that the 1st defendant's action in approving the use of the name "Maxis" by the 2nd to 10th defendants was wrong in law and should be cancelled. In retaliation, the 2nd to 7th defendants ('the applicants') counterclaimed the plaintiff and the 2nd to 5th defendants in the counterclaim ('the defendants') for passing off. Subsequent to the filing of the defence and counterclaim, the applicants applied for an interim injunction against the defendants to prevent them from using in any manner the name "Maxis" in any title or description and/or trading under the name "Maxis" until further order of the court. Thus, the issues requiring determination were: (i) whether the claim was not frivolous or vexatious and there was a serious question to be tried; (ii) if the applicants were to succeed at the trial in establishing their rights to a permanent injunction, whether they would be adequately compensated by the award of damages for the loss they would have sustained as a result of the defendants continuing to do what was sought to be enjoined between the time of the application and the time of the trial; and (iii) which party the balance of convenience should lean in favour of in order to preserve the *status quo*.

Held:

[1] The applicants had, through constant and persistent advertisements, promoted the word "Maxis" to be a name associated and belonging to the applicants in this country, and even though it is connected with the business of telecommunications, another line of products and services bearing such a name may be considered by the public as that undertaken by the applicants. Thus, the applicants satisfied the first element towards proving passing off by the defendants. With regard to the second element of misrepresentation, there was, on the facts, sufficient evidence to suspect that the defendants intended to use the name "Maxis" to mislead the public

for trading purposes. On the third element of the applicants having to prove that they had suffered or were likely to suffer damage as the result of the erroneous belief engendered by the defendants, from the facts discussed in the affidavits of the parties, there was likelihood of damage being caused to the applicants if the defendants were not restrained in this action. Hence, the applicants had established a serious question to be tried and their claims were not frivolous or vexatious. (pp 780 f, 782 c & 783 c, f)

[2] On the facts, damages on the loss suffered by the applicants would not be adequate compensation for the applicants at the end of the day if they were successful in their claim against the defendants for a permanent injunction. The defendants were also not in a financial position to pay them even if damages in the measure recoverable were adequate as they were with a minimum amount of paid-up capital and did not have any assets. In such circumstances where adequacy of damages was against the defendants, an interim injunction sought by the applicants should be allowed. (p 784 b-d)

[3] Furthermore, the balance of convenience should lean in favour of the applicants for the purpose of preserving the *status quo* since the defendants were not engaged in any trade or business, and a temporary halt, by way of an interim injunction, from doing something that they had not done before would not inconvenience them. If there were any damages suffered by them as a result of this adjournment of enterprise, and if the final result of the case was in their favour, they could always call on the undertaking tendered by the applicants for compensation, which was sufficient and adequate to render comfort to the defendants. (p 784 d-g)

[Application allowed.]

Case referred to:

American Cyanamid v. Ethicon [1975] 1 All ER 504 ***(foll)***

Compagnie Generale Des Eaux v. Compagnie Generale Des Eaux Sdn Bhd [1996] 2 BLJ 519 HC ***(foll)***

Fletcher Challenge v. Fletcher Challenge [1981] 1 NSWLR 196 ***(refd)***

Harrods Ltd v. R Harrod Ltd (Rpts of Patent, Design, Trademark, And Other Cases) *vol xli 74* ***(refd)***

Lego System A/S v. Lego M Lemelstrich Ltd [1983] Ft St Rpt 155 ***(refd)***

Reckitt & Colman Products Ltd v. Borden Inc [1990] 1 All ER 873 ***(foll)***

Legislation referred to:

Companies Act 1965, s. 22

For the applicants - Cecil Abraham, C Sri Kumar & Pauline Khor; M/s Sri Ram & Co
For the defendants - Ambiga Sreenevasan (Janini Rajeswaran); M/s Sreenevasan

Reported by Suresh Nathan

JUDGMENT

James Foong J:

Introduction

The plaintiff (Maxis Sdn Bhd) instituted this action for a declaration that the 1st defendant, the Registrar of Companies, in approving the use of the name 'Maxis' by 2nd to 10th defendants is wrong in law and should be cancelled.

In retaliation, the 2nd to 7th defendants (whom I shall from hereon jointly and collectively refer to as the Maxis Group of Companies or the applicants where appropriate) counterclaim Maxis Sdn Bhd and four others for passing off. The four others are: Maxis Capital Sdn Bhd and Maxis Biotech Sdn Bhd, (the 2nd and 3rd defendants in the counterclaim respectively) and its directors Saw Poh Leng (Saw) and Yeoh Eng Kong (Yeoh), (the 4th and 5th defendants in the counterclaim respectively). For ease of reference I shall refer to these parties jointly as the defendants except where the need arise, their respective names will be mentioned.

Subsequent to the filing of the defence and counterclaim, Maxis Group of Companies applied by way of a summons-in-chambers for an interim injunction against defendants whether by themselves, their directors, officers, servants and or agents:

(a) from using in any manner the name 'Maxis' in any title or description and/or trading under the name 'Maxis' until further order;

(b) from doing or attempting to do in any manner directly or indirectly:

(i) passing off or causing, enabling or assisting others to pass off the business of the first three companies in the Maxis Group of Companies as that of the defendants and/or is in some manner connected, related or associated with the business of the applicants;

(ii) conducting any form of business using the name 'Maxis' or any name consisting of the name 'Maxis' and;

(iii) advertising in any form whatsoever using the word 'Maxis'.

Brief Background

Maxis Sdn Bhd was incorporated on 8 December 1992. For a brief period in 1993 it was engaged in the business of information and system services provider. Then it stopped and currently it has no business activity; it is dormant. Maxis Capital Sdn Bhd was incorporated on 23 January 2002 and Maxis Biotech Sdn Bhd had a name change to the present on 26 February 2002. Both these companies had never commenced any business. Saw and Yeoh are directors of the Maxis Sdn Bhd whilst Saw is also a director of Maxis Biotech Sdn Bhd and Yeoh is a director of Maxis Capital Sdn Bhd.

On the other hand, the principal companies in the Maxis Group of Companies do not previously carry the forename 'Maxis'. They were formerly known by their principal name: 'Binariang'. With subsequent changes made to their names all the companies in the Maxis Group of Companies have the word 'Maxis' as its leading character.

Maxis Group Of Companies' Claim

In 1995, according to Maxis Group of Companies, "after going through a lengthy process of determining a suitable brand name in consultation with various experts regarding the same, Maxis Group of Companies, based on recommendations by the said experts finally decided and adopted the brand name 'Maxis' for use in connection with its trade and business." Having selected this name they also registered it as a trademark in both Malaysia and Singapore in the category of *inter alia*: paper, writing materials, pictures, cards, and products relating to telecommunications and communication services. They then expended huge sums of money to promote and market the name 'Maxis' aggressively throughout this country in the field of telecommunication, which they are primarily engaged in.

Maxis Group of Companies now allege that the defendants of passing off or assist in passing off the defendants' business as and for that of the Maxis Group of Companies. Instances referred to support this contention are as follows:

1. Saw and Yeoh had acquired Maxis Sdn Bhd in 2001, a then inactive company with intention to reactivate it.

2. They have incorporated Maxis Capital Sdn Bhd on 23 January 2001 by using the name Maxis as the lead name.

3. They have caused a name change in Maxis Biotech Sdn Bhd which previously does not carry the word Maxis.

4. Maxis Sdn Bhd, Maxis Capital Sdn Bhd and Maxis Biotech Sdn Bhd took premises in Menara Maxis that housed most of the offices of the Maxis Group of Companies.

5. Printing letterheads and distributing name cards which carry the name Maxis in similar fashion and style as the brand name used by Maxis Group of Companies.

6. And after the listing on the Kuala Lumpur Stock Exchange of Maxis Communication Bhd (the first company in the Maxis Group of Companies) the defendants commenced this action.

All these, according to the applicants are: (a) part of a systematic plan targeted by the defendants to misrepresent the public into believing that the defendants' companies are the same as those of the Maxis Group of Companies, and (b) with the ulterior motive of extorting money from the applicants.

Defendants' Defence

The defendants deny the allegations expressed above. They insist that Maxis Sdn Bhd existed well before any member of the Maxis Group of Companies have either their name changed to add on the word Maxis or incorporated with such name.

Though admitting that they did rent space in Menara Maxis at one time, the defendants stressed that they have since vacated the said premises. In fact, they are currently not engaged in any business activities. Though they are prepared to give an undertaking not to involve in any trade or business relating to telecommunication, the core business of the Maxis Group of Companies, but they insist that they should not be prevented from trading in other fields of business activities by using the name – Maxis.

Analysis

At the commencement of the hearing, I have reminded myself, and this was expressed to those present, that this is a hearing for an interlocutory injunction and not a full trial for the disposal of the disputes between the parties. For this, the test to be applied must be based on the well-founded principle as set out in *American Cyanamid v. Ethicon* [1975] 1 All ER 504.

The first factor to consider is whether the applicants have satisfied this court that their claim against the defendants are "not frivolous or vexatious; in other words, that there is a serious question to be tried".

To sustain a passing off action three elements are necessary:

(a) that the plaintiff's goods or services have acquired a goodwill or reputation in the market and are known by some distinguished features;

(b) that there is a misrepresentation by the defendant (whether or not intentionally) leading or likely to lead the public into believing that the goods or services offered by the defendants are goods or services of the plaintiff; and

(c) that the plaintiff has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant's misrepresentation.

These are expounded in *Reckitt & Colman Products Ltd v. Borden Inc.* [1990] 1 All ER 873 at p. 880 where the House of Lords restated the law on passing off previously decided by the same house to provide greater assistance in analysing whether such cause of action is founded.

Regarding the first element, the defendants are of the view that the applicants' business activities are only confined to telecommunication; they have not acquired goodwill for goods or services outside this area. And since the defendants have undertaken not to engage in any business activity in the same field as the applicants', the issue of proximity of the same line of business that may cause confusion to the public does not arise.

It is true that the original legal concept of passing off is confined to traders competing in the same line of business or goods. But from a series of decided cases this cause of action has been extended to protect and preserve the goodwill of businessman from appropriation by another trader or businessman. It is not restricted to only cases where the parties are engaged in common field of business activity but also to any business that may mislead persons into thinking that those products or services were the goods and services of the plaintiff – see *Lego System A/S v. Lego M Lemelstrich Ltd.* [1983] Ft St Rpt 155 and *Fletcher Challenge v. Fletcher Challenge* [1981] 1 NSW LR 196 at p. 204.

In *Lego System A/S v. Lego M Lemelstrich Ltd (supra)* the plaintiff's business in the United Kingdom is that of making children's toys related to construction sets and building bricks, whilst the defendant, an established Israeli company, is engaged in water irrigation. Yet, the court is of this view:

> Of course, that is not to say that the proximity of a defendant's field of activity to that of the plaintiff will not be relevant to whether the defendant's acts complained of amount to a misrepresentation in any particular case – plainly it will, at least in most cases. But, in my judgment, there is much force in Mr. Aldous's submission, based on the extent of the plaintiffs' reputation in their mark LEGO, that if, as he contended was this case, the plaintiffs' mark has become part of the English language in the sense that everybody associates

> LEGO with a particular company, namely, the manufacturers of the LEGO toy construction sets and building bricks, then the misrepresentation by the defendants' use of the mark is easier to assume and to prove; on the other hand, if the mark or name concerned has only a limited field of recognition it is obviously more difficult to establish its understanding as denoting the plaintiff's goods in a field which is not directly comparable with the field of that plaintiff's goods.

Powell J in *Fletcher Challenge v. Fletcher Challenge (supra)* adds:

> While in the early stages of the development of the tort of "passing off' the subject matter thought to require the protection of the law appears to have been regarded as the plaintiff's goods, it is, I think made clear by the later cases (see *Erven Warnink BV v. J Townend (Hull) Ltd* [1979] AC 731; *Hornsby Building Information Centre Pty Ltd v. Sydney Building Information Centre Ltd* [1978] 140 CLR 216; *Cadbury Schweppes Pty Ltd v. Pub Squash Co Pty Ltd* [1980] 2 NSWLR 851) that the object of the law's intervention into the arena of trade or business is the preservation of a trader's, or businessman's goodwill from appropriation by another trader or businessman.

With such persuasive authorities, I am of the view that though the defendants have pledged that they will not engage in the same line of business as the applicants but where there is an invasion or likelihood of invasion into the rights of the property of the applicants, and such property being in the business or goodwill of the applicants in the use of the name Maxis then a cause of action for passing off is well founded.

From the evidence adduced thus far, I am convinced that the applicants have through constant and persistent advertisement promoted the word Maxis to be a name associated and belonging to the applicants in this country. Though it is much connected with the business of telecommunication but other line of products and services bearing such name may be considered by the public as that undertaken by the applicants. The extent and degree of this goodwill will be tested in the fullest of time during trial but for the moment, suffice me to say that that the applicants have satisfied me on this first factor towards proving passing off by the defendants.

The second element is that of misrepresentation. There is no denial by the defendants that the deeds listed against them did not occur. However the defendants offer the following explanations:

The defendants claimed that they moved into Menara Maxis to take advantage of the location. They thought that this building is within the Multimedia Super Corridor and since they intended to benefit from the facilities offered by such setup taking up premises there would be advantageous. But when they discovered that this premises is outside the boundary of Multimedia Super

Corridor they vacated. In any event, the defendants declared that they have not physically moved into this building and reiterated that they will never set up office there, even if they are successful in this suit.

As for the use of letterheads bearing the word Maxis, they claimed that they have every right to use such name and mark since their companies are also registered with such a name. This equally applies to their name cards bearing the word Maxis. At no time, the defendants stressed, they have represented to anyone that they are part of the Maxis Group of Companies.

On the registration and/or the change of their companies name to incorporate the use of the word Maxis, the defendants insisted that this was not done in bad faith or with the intention to usurp the reputation and injure the goodwill of Maxis Group of Companies. They are permitted by law to carry out such acts and consent was obtained from Maxis Sdn Bhd, the initial holder of the name Maxis, to use this name for Maxis Biotech Sdn Bhd and Maxis Capital Sdn Bhd. In fact, the defendants are questioning as to how the applicants can receive approval from the Registrar of Companies for the use of the word Maxis.

I am unimpressed by these explanations offered by the defendants. As a start, the call cards and letterheads of the defendants bear the word Maxis. Though they claim that they never intended to mislead the public into believing that they are part of the Maxis Group of Companies but yet the shape, style and character of the word Maxis printed on these documents are almost identical to that trade name which the applicants are promoting. There are many ways and manner in writing and printing a name but why create it in such a form and fashion so similar to that of the applicants' unless with some sinister intentions.

The next is the taking up of premises in Menara Maxis. As to how this fortress of the Maxis Group of Companies could be penetrated by the defendants with the use of such similar name I am astonished. Perhaps this is due to a slip-up in the building management department of the applicants. Nevertheless such act of the defendants, to my mind, arouses suspicion of an intention to deceive. Kuala Lumpur, being so vast and wide, and filled with available office space could have easily accommodated the defendants' companies other than Menara Maxis. And if it was the objective of the defendants to enjoy the benefits of the Multimedia Super Corridor then surely they would have ascertained in advance where the designated boundaries of this concept are rather than be so gullible as to choose one spot that is outside its ambit. Further, Saw and Yeoh are locals and one of them is even a lawyer. With such credentials, it is difficult for this court to accept the defendants' explanation that their actions as being

reasonable and are devoid of any intention to deceive and mislead. Of course the defendants have vacated this premises but such past actions entails suspicion that they may yet be up to another form of actions to mislead and create confusion in the public into believing that the goods and services they offer are those of Maxis Group of Companies.

Miss Sreenevasan, counsel for the defendants, strenuously attempted to draw my attention to the legal rights of the defendants to use the name Maxis, and that no malignant connotation should be drawn against the defendants by their acts in exercising this right. I agree that until this suit is finally disposed the defendants' companies are still registered with the name Maxis. But as to their rights to use this name for trading purposes there is sufficient evidence to suspect that the defendants intended to mislead in such ventures. Such misrepresentation may cause confusion among the public into believing that the defendants are part of the Maxis Group of Companies and any goods, services and business conducted by the defendants' companies would be taken as those of the former; and this would affect the goodwill of the applicants. When such act of the defendant is carried out with intention to defraud, as there are some evidence of this from the action of the defendants as described above, then the courts should be more vigilant and will move in to prevent it. The authority for this can be found in *Harrods Ltd v. R. Harrod Ltd* (Rpts of Patent, Design, Trademark, And Other Cases) Vol. XLI 74.

Still insisting that the defendants have a right to use the name Maxis because of prior registration of Maxis Sdn Bhd and the registration and/or change of name of Maxis Capital Sdn Bhd and Maxis Biotech Sdn Bhd with the consent of the former, Miss Sreenevasan argued that the wrong was not committed by the defendants but by Maxis Group of Companies. The Registrar of Companies has no power to allow the Maxis Group of Companies to use the name Maxis since Maxis Sdn Bhd is already in existence. To support this contention she acquainted this court with s. 22 of the Companies Act which says: "Except with the consent of the Minister, a company shall not be registered by that name, in the opinion of the registrar, is undesirable, or is a name or kind of name the Minister has directed the registrar not to accept for registration." Government Gazette No 716/97 has a schedule which sets out names, which the registrar should not register without the prior approval of the Minister. Under item 9(b) of this schedule it declares: "Names which may resemble or be mistaken for the name of any other company or foreign company under the Act". It is for this reason, according to Miss Sreenevasan that the defendants have brought this action against the Maxis Group of Companies, as well as the Registrar of Companies.

Whether such action may succeed or fail depends on the outcome of the case after a full trial. But this legal issue raised by the defendants is debatable. The applicants have argued that the Registrar of Companies has discretion to approve names to be used by companies under the Companies Act and the directives made thereunder. As to which is correct requires matured consideration at the full trial of this suit where detail arguments can be advanced and ventilated. But for the time being, as long as the applicants have established a serious question to be tried in respect of their claim, it is sufficient for this court to justify the granting of an interim injunction provided all the factors demanded by law on such matter are satisfied.

On the third element of the applicants having to prove that they have suffered or likely to suffer damage as the result of the erroneous belief engendered by the defendants all that is necessary is for this court to adopt the passage from Kamalanathan Ratnam JC (as he then was) in *Compagnie Generate Des Eaux v. Compagnie Generate Des Eaux Sdn Bhd* [1996] 2 BLJ 519 at p. 540 which declares:

> a plaintiff does not have to prove actual damage in order to succeed. Likelihood of damage is sufficient. One of the ways in which a business reputation may be injured is by the appropriation of that reputation or part of it by a third party. Such appropriation may be brought about by the adoption of a name which suggests that the person or company adopting it is in some way connected or associated with the person or company enjoying the reputation. In *Bulmer (HP) Ltd v. J Bollinger SA* [1978] RPC 79 Buckley LJ said at p 95.

From the facts disclosed in the affidavits of the parties, I believe that there is likelihood of damage caused to the applicants if the defendants are not restrained in this action.

With these, I find that the applicants have established a serious question to be tried and that their claims are not frivolous or vexatious.

Having established that the applicants have a real prospect of succeeding, I now move on to second consideration set down in the *American Cyanamid (supra)* – adequacy of damages. Here the court has to "first consider whether if the plaintiff (applicants) were to succeed at the trial in establishing his rights to a permanent injunction he would be adequately compensated by the award of damages for the loss he would have sustained as a result of the defendants continuing to do what was sought to be enjoined between the time of the application and the time of trial. If the damages in the measure recoverable at

the common law would be adequate remedy and the defendant is in a financial position to pay them, no interlocutory injunction should be granted" – Lord Diplock in *American Cyanamid (supra)* case at p. 510.

In this respect, I hold the view that neither is damages on the loss suffered by the applicants would be an adequate compensation for the applicants at the end of the day if they are successful in their claim against the defendants for a permanent injunction nor are the defendants in a financial position to pay them even though damages in the measure recoverable is adequate. When dealing with damages or injury to goodwill and reputation, which is intangible and abstract in nature, the amount of damages and injury caused is exceeding difficult to identify and ascertain. And in this case, even if it can be deduced, the defendants do not have the means to pay. The defendants companies are with minimum amount of paid-up capital and neither do they have any assets. In fact, as admitted by them, all of them are neither trading nor involve in any business currently; but they insist that they wish to pursue such activity, if not restrained. Under such circumstances where adequacy of damages is against the defendants, an interim injunction sought by the applicants should be allowed.

For completeness, even if there is doubt on the question of adequacy of damages available to either or both parties then on the next factor of balance of convenience it should lean in favour of the applicants for the purpose of preserving *status quo*. Here the defendants have announced that currently they are not engaged in any trade or business and, in fact, had ceased for some time now in the trade of information and system provider. If this is a fact, then a temporarily halt, by way of an interim injunction, from doing something that they have not done before would not inconvenience them. All that is required of them is to postpone their desire from embarking on any course of action which they have not previously found necessary to undertake. If there is any damages proved to be suffered by them as a result of this adjournment of enterprise, and if the final result of the case is in their favour, then they can always call on the undertaking tendered by the applicants in this application for compensation; an undertaking which this court finds sufficient and adequate to render comfort to the defendants.

Conclusion

By reasons aforesaid, this court hereby allows prayer 1 (except from performing their statutory duties) and 3 in encl. 23.